

6 NOV 1978

MEMORANDUM FOR: Inspector General

FROM : [REDACTED]
Chief, Audit Staff

SUBJECT : Appropriation Data for [REDACTED]
Funding

REFERENCE : Draft memorandum from OGC and OLC for DCI,
[REDACTED]

1. At your request we have reviewed the General Counsel's draft memorandum concerning the need for a clearer legal basis for the transfer of [REDACTED] Funds to the Agency. We support the General Counsel's conclusion that considering the available options the Agency should reopen discussions with Defense officials at a high level in hopes that future discussion will convince them that it is necessary to get formal congressional committee approval on this matter.

2. The issue stems from an Audit Staff report to the Director of Finance (Attachment A) in April 1975 that recommended "...that the Agency require NRO to cite the applicable appropriations in the annual program approvals to enable CIA to assure that funds made available are obligated within the proper fiscal year and that obligations are in fact incurred for the purpose for which the funds were appropriated."

3. As described in the report Government agencies are responsible to assure that funds are used for the purpose for which they were appropriated and within the period of availability. It was noted that sufficient information was not available to the Agency to assure compliance with the appropriation laws.

4. The Director of Finance in his reply to the report (Attachment B) in June 1975 indicated that a number of meetings had been held with the NRO Comptroller, the cognizant DDS&T offices, the General Counsel and the Office of Management and Budget in an effort to resolve the dilemma. The reply recognized the complexity of the problem and indicated that it was being worked out.

5. John S. Warner, former General Counsel, expressed his concern in a memorandum to the Intelligence Oversight Board in April 1976 about the lack of specific appropriation account citations for NRO fund transfers. This concern was reviewed by the Inspection Staff at that time. (Results of review not available in Audit Staff files).

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6. We understand that strict compliance with appropriation laws would create difficulties for the NRO Comptroller and Agency managers. The law however seems clear in its requirement that funds be used for the purposes authorized by Congress within specific time periods of availability. As indicated in the OGC draft memorandum there have been some instances when funds appear to have been used for other than the appropriated purpose. Without adequate data the Agency is unable to assure compliance with the Appropriation Act. We believe that deviations from the requirements of the Act should require congressional committee approval and agree with the recommendation in the referenced memorandum that the issue again be raised with higher level DoD officials.

Atts A and B



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